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September 8, 2006

## **AGENDA ITEM 9**

**TO: MEMBERS OF THE FINANCE COMMITTEE**

- I. SUBJECT:** CalPERS Three-Year Business Plan 2006-07 through 2008-09
- II. PROGRAM:** Systemwide
- III. RECOMMENDATION:** Approval of Health Objectives and Final Approval of the CalPERS Three-Year Business Plan 2006-07 through 2008-09. Upon approval, transmit the Three-Year Business Plan 2006-07 through 2008-09 to the Joint Legislative Budget Committee, Fiscal Committees of the Legislature, the State Controller, and the Department of Finance in accordance with the Budget Act of 2005; and the Legislative Analyst's Office and the State and Consumer Services Agency.
- IV. ANALYSIS:**

### **Background**

In 1995-96, CalPERS conducted a strategic planning effort that included the participation of the CalPERS Board of Administration, Executive and Senior Management, and staff. The result was a Strategic Plan, for which Executive and Senior Management developed business objectives to define the roadmap toward achieving the CalPERS Strategic Plan goals. Each year CalPERS initiates the three-year business planning cycle, engaging the Senior Leadership Team and Executive Management in looking back at business objective accomplishments and projecting what is needed in the future.

### **Strategic Plan and Three-Year Business Plan:**

The CalPERS Strategic Plan sets and communicates the direction for the future. It reflects the long-term goals of CalPERS, usually between 7 to 10 years. The Three-Year Business Plan is the road map and defines the organization's work ahead. The Three-Year Business Plan documents and communicates the

priorities and the enterprise implementation plan that will guide CalPERS towards achieving the Strategic Plan goals and objectives.

In June of this year, the Three-Year Business Plan was presented to the Board for a second reading. It was approved with the understanding that certain objectives needed more discussion and to be rewritten. Since that time, the Health Benefits Branch has refined those objectives and is proposing amendments based on the Board's comments.

### **Proposed Language and Response for Health Objectives**

In response to the request of the Finance Committee for a review and revision of objectives under goals 11 and 12, health staff suggests several amendments to the business plan. The details of the proposed changes are presented below.

In response to the April and June Finance Committee comments on goal 11, health staff revised the objectives relating to healthy lifestyles. The original language read:

Objective 11.1 – By December 31, 2008, 75 percent of our surveyed members know the characteristics of a healthy lifestyle.

Objective 11.2 – By December 31, 2009, 5 percent of our surveyed members made a healthy lifestyle change in the prior three years.

The revised language replaces the original objectives 11.1 and 11.2. The revision addresses the Board's recommendation that CalPERS assume a more active role in influencing our members to adopt healthy lifestyle behaviors. The proposed language reads:

Objective 11.1 – By January 1, 2007, at least one CalPERS contracting health plan will implement an incentive program to encourage members to make healthier lifestyle choices.

Objective 11.2 – By December 31, 2009, increase the number of surveyed members making a healthy lifestyle change by 5 percent over the 2006 survey baseline.

Next, we address objective 12.3, which staff presented for the first time at the June 2006 Finance Committee meeting. This objective dealt with offering high performance physician networks. The objective read:

Objective 12.3 – By December 31, 2009, CalPERS' will offer two high-performance physician networks to more than 75 percent of our basic plan members.

This is the second reading of the objective. Staff reworded the objective to include Board approval for the establishment and offering of high performance physician networks. The proposed language reads:

Objective 12.3 – By December 31, 2007, present for Board approval a proposal to offer basic health plan members a high-performance physician network.

With Board approval, members would have a health plan choice that includes physicians who meet specified cost and quality criteria.

**V. RESULTS/COSTS:**

Costs and resource needs associated with projects and other activities identified in the Three-Year Business Plan were approved as part of the CalPERS 2006-07 budget.

Staff is available to answer any questions.

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John Hiber  
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Attachments